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Economic Affairs Interim Committee

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**DRAFT** FINAL REPORT TO THE 68<sup>TH</sup> MONTANA  
LEGISLATURE

# **BALANCING AT THE EDGE OF THE CLIFF: HJ49 STUDY ON PUBLIC ASSISTANCE PROGRAMS**



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This report is a summary of the work of the Economic Affairs Interim Committee, on House Joint Resolution 49 (2021). Members received additional information and public testimony on the subject. This report highlights key information and the processes followed by the Economic Affairs Interim Committee in reaching its conclusions. To review additional information, including audio minutes, and exhibits, visit the Economic Affairs Interim Committee website: [www.leg.mt.gov/eaic](http://www.leg.mt.gov/eaic).

A full report, including links to the documents referenced in this print report, is available at the Economic Affairs Interim Committee website: [www.leg.mt.gov/eaic](http://www.leg.mt.gov/eaic)

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# BALANCING AT THE EDGE OF THE CLIFF

## OVERVIEW

House Joint Resolution 49 asked for a study of benefits cliffs in public assistance programs and impacts on individuals and businesses. The study ranked XX in the post-session poll of the Legislature and was assigned to the Economic Affairs Interim Committee (EAIC).

People face a benefits cliff when they receive public benefits from the government, earn a raise, and then discover they make too much money to receive the benefits.

The resolution suggested that the committee:

- Review the eligibility requirements for and benefits provided by each public assistance program, including tax incentive programs, available to residents of this state;
- Examine the degree to which family annual net resources vary as wages and benefits change, including reviewing any available modeling on the subject; and
- Review efforts undertaken nationally and in other states to address the impact of benefits cliffs on individuals, families, and businesses.

After reviewing a [background paper](#) on benefits cliffs and public assistance criteria, and discussing study topic ideas, committee members focused on:

- General education on the programs available from the Department of Public Health and Human Services (DPHHS), the Department of Labor and Industry (DLI), and tax incentives from the Department of Revenue (DOR) and the Internal Revenue Service (IRS).
- Learning about other states' approaches to reduce the cliff effect.
- Reviewing the benefits cliff study from DPHHS.
- Hearing about DLI's unemployment technology system replacement project.

## FINDINGS & RECOMMENDATIONS

*[The EAIC completed its work, reviewed the DPHHS study and suggestions, and made no further recommendations.]*

## COMMITTEE ACTIVITIES

Following is a summary of the information the committee received for the HJR 49 study on the topics it selected for review.

### Benefit Cliffs Overview

People face a benefits cliff when they receive public benefits from the government, earn a raise, and then discover they make too much money to receive the benefits. Benefits cliffs may disincentivize workers from accepting increased work hours and wages, leading to decreased economic opportunity for families and lessening the change for families to exit support systems. Additionally, this creates workforce shortages for employers who must perpetually recruit, hire, and train for the same positions.

### Montana Public Assistance Programs & Incentives

As part of the HJ49 study, the committee reviewed the public assistance, workforce, and tax incentive programs available to all Montanans. Representatives from [DPHHS](#), [DLI](#), and [DOR](#) presented to the committee at the November 2021 meeting on their respective programs, including information on:

- Food security & nutrition
- Energy assistance
- Healthcare coverage
- Employment and family support
- Worker training
- Individual income tax provisions
- Property tax provisions
- Employer tax provisions

The committee also reviewed a briefing paper on [federal tax credits](#) available for individuals and families. Appendix C provides a chart showing Montana incentive programs by agency. Appendix D shows the same programs by benefit type.

During the course of the study, the committee requested follow up memos from DLI and DPHHS regarding the progress on internal efforts by the agencies to reduce benefits cliffs.

### Help-Link

The Help-Link program is a voluntary workforce program for adults enrolled in certain types of Medicaid that seeks to increase labor force participation and improve the long-term employability of the client, thus reducing their reliance on Montana Medicaid for health insurance. The target audience is Medicaid-eligible adults aged 19-64 who earn less than 138% of the FPL.

The 67<sup>th</sup> Legislature passed House Bill 614 directing the state contract out all delivery of Help-Link program services in a private/not-for-profit contractor model. Program eligibility, available services, supporting employer grants, and expected program outcomes all remain the same. The only change in HB614 was to who is an eligible operator.

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DLI [reported](#) in January 2022 that to date, two rounds of RFPs for program operators had occurred, with a third likely in the spring. The RFP seeks one program operator for each of the state's 12 MACO districts. As of the time of writing, only two bids had been awarded. DLI noted that finding operators for all districts to ensure full availability and accessibility of the program is critical for its continued success.

## DPHHS Benefit Cliffs Study

At the committee's February 2022 meeting, DPHHS provided a [memo](#) outlining activities and a timeline for completion of its own benefit cliffs study. The committee requested a summary of the outcome of the agency's study to determine if additional recommendations may be needed.

The executive summary provided to the committee contained several recommendations.

- Targeting Recommendations:
  - Pilot benefits cliffs policy for specific programs in select counties.
  - Cliff-mitigating policies for SNAP.
  - Piloting cliff-mitigating programs in counties with higher poverty rates or assistance program participation rates that the state average.
- Program Design-Based Recommendations:
  - Address churn-induced benefits cliffs by providing a 30-day re-certification grace period.
  - Gradually phase out SNAP benefits over a period of six months for working participants when they lose income-eligibility.
  - Use some of Montana's \$1.6 million American Rescue Plan Act funds allocated to expanding SNAP Employment and Training opportunities. \*
- Resource-Based Recommendations:
  - Develop a budgeting template and Montana-specific benefits cliffs calculator.
    - Consider partnering with the Atlanta Federal Reserve for utilization of its CLIFF tool.
  - Invest in workforce training programs that emphasize a "career ladder". \*
  - Prioritize filling vacant OPA caseworker positions. \*

*\* These recommendations were being implemented by DPHHS prior to the conclusion of the agency's study.*

## Benefit Cliff Calculator

One of the recommendations of the DPHHS study was the development or utilization of a benefit cliff calculator for program recipients and case managers. At the June 2022 meeting, the Atlanta Federal Reserve presented its CLIFF tool to the committee.

[finish this section later]

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## Action in Other States

Several states are working to better understand benefits cliffs in order to develop policies aimed at minimizing or eliminating the cliff effect.

- **Public assistance programs:** The primary policy ideas involving public assistance programs help both administrators and recipients of the programs navigate through the complexity of the rules and regulations across the programs.
  - Define self-sufficiency standards to help individuals, families, and their caseworkers understand what earnings they need to achieve in order to transition away from assistance through benefits calculators.
  - Review eligibility requirements for certain programs like TANF and SNAP.
  - Review eligibility limits and other determination requirements for childcare.
- **Tax incentives:** The state EITC may have a significant impact on a family's financial situation. States have enacted or increased the state EITC to counter declining benefits as earnings rise.
- **Asset development programs** allow low-income individuals to save money for certain uses like education, buying a home, or starting a business.
- **Workforce development programs** involve employers working with multiple agencies to understand the impact of benefits cliffs for workers.
  - Develop career pathway programs for workers
  - Identify high-growth occupations and opportunities for wage progression

The committee received a [briefing paper](#) at its February 2022 meeting with details on other states' approaches to the issue.

## Suggestions for Montana

The Montana Budget & Policy Center, a non-profit policy research group, provided the committee [recommendations](#) for reducing the cliff effect.

- **Child Care and Best Beginnings:**
  - Expand eligibility for subsidy assistance at the federal allowable level of 85% of state median income (or 265-293%FPL).
  - Reduce co-pays for Best Beginnings scholarship to be competitive with neighboring states.
  - Refine eligibility determination to include income disregards that consider rising housing and other household costs.
- **Earned Income Tax Credit:**
  - Increase Montana's EITC to align it with other states.
- **Supplemental Nutrition Assistance Program:**
  - Maintain expanded categorical eligibility
- **Additional Opportunities:**

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- Increase the income limitation for Medicaid eligibility for pregnant and postpartum women.
- Lengthen or maintain eligibility periods programs.
- Pursue and Elderly Simplified Assistance Project (ESAP) demonstration to increase the certification period for elderly SNAP participants.

### Unemployment Insurance Modernization Project

The committee incorporated the member topic of DLI's unemployment insurance technology with the HJ49 study on benefits cliffs. At the November 2021 meeting, the committee asked DLI to provide an analysis on several options for a new unemployment technology solution, and include in the analysis what the cost would be for each solution, the time to implement, the benefits to the agency, and the benefits to the end user.

At the February 2022 meeting, DLI [said](#) the project to modernize its unemployment insurance technology is incorporated into the State IT Plan. State Chief Information Officer Kevin Gilbertson presented an update at the June 2022 meeting.

[finish later]

### CONCLUSION

The committee made the following findings and recommendations at the conclusion of the study.

[finish later]

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## APPENDIX A: ECONOMIC AFFAIRS INTERIM COMMITTEE MEMBERS

Before the close of each legislative session, the House and Senate leadership appoint lawmakers to interim committees. The members of the Economic Affairs Interim Committee, like most other interim committees, serve one 20-month term. Members who are reelected to the Legislature, subject to overall term limits and if appointed, may serve again on an interim committee. This information is included in order to comply with 2-15-155, MCA.

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## APPENDIX B: ACRONYM GUIDE

Acronym	Definition
ACA	Affordable Care Act
DLI	Department of Labor & Industry
DOR	Department of Revenue
DPHHS	Department of Public Health & Human Services
EAIC	Economic Affairs Interim Committee
EITC	Earned Income Tax Credit
FPL	Federal Poverty Level
HMK	Healthy Montana Kids
IWT	Incumbent Worker Training Program
LIEAP	Low-Income Home Energy Assistance Program
MACO	Montana Association of Counties
PTAP	Property Tax Assistance Program
SNAP	Supplemental Nutritional Assistance Program
TANF	Temporary Assistance for Needy Families
WIC	Women, Infants & Children Program
WOTC	Work Opportunity Tax Credit Program

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## APPENDIX C: ASSISTANCE PROGRAMS, TAX CREDITS & DEDUCTIONS

Assistance Programs	Program Income as % of FPL	Tax Credits & Deductions
Medicaid, Medicaid Expansion	Varies from 24% to 250%	U.S. Earned Income Tax Credit (EITC)
Healthy Montana Kids (HMK)	Varies from 144% to 261%	Montana EITC
Supplemental Nutritional Assistance Program (SNAP)	200% (Gross Income) 100% (Net Income after Deductions)	U.S. Child & Dependent Care Credit
Temporary Assistance for Needy Families (TANF)	30% of 2011 FPL	Montana Child & Dependent Care Credit
Women, Infants, & Children (WIC) Program	185%	U.S. Child Tax Credit
Best Beginnings Child Care Assistance	185% (Sliding Scale Structure)	U.S. Premium Tax Credit (ACA)
Low-Income Energy Assistance Program (LIEAP)	60% of state median income for 1-8 in household; 150% for 9+	

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## APPENDIX D: MONTANA INCENTIVE PROGRAMS BY AGENCY

DPHHS	DLI	DOR (Individual)	DOR (Employer)
Medicaid, Medicaid Expansion	Apprenticeship Program	Child & Dependent Care Deduction	Apprenticeship Credit
Healthy Montana Kids	Incumbent Worker Training (IWT) Program	Disability Retirement Income Deduction	Trades Education & Training Credit
Supplemental Nutrition Assistance Program (SNAP)	Work Opportunity Tax Credit (WOTC) Program	Partial Pension Exemption	Job Growth Incentive Tax Credit
Temporary Assistance for Needy Families (TANF)	HELP-Link Program	Montana Earned Income Tax Credit	
Women Infant Children (WIC)		Elderly Homeowner/Renter Tax Credit	
Best Beginnings Child Care Assistance		Property Tax Assistance Program (PTAP)	
Low Income Home Energy Assistance Program (LIHEAP)		Disabled Veteran Assistance Program	
Weatherization Program			

## APPENDIX E: MONTANA INCENTIVE PROGRAMS BY BENEFIT TYPE

*Note that some programs are listed under multiple columns*

Work	Medical	Housing/House	Children	Tax	Food	Cash Assistance	Elderly/Disabled
Apprenticeship Program	Medicaid, Medicaid Expansion	LIHEAP	Healthy Montana Kids	Work Opportunity Tax Credit Program	SNAP	TANF	SNAP
Incumbent Worker Training Program	Healthy Montana Kids	Weatherization	SNAP	Child & Dependent Care Deduction	WIC		LIHEAP
Work Opportunity Tax Credit Program	WIC	Property Tax Assistance Program	TANF	Disability Retirement Income Deduction			Weatherization
Help-Link Program	Help-Link Program	Disabled Veteran Assistance Program	WIC	Partial Pension Exemption			Disability Retirement Income Deduction
Child & Dependent Care Deduction			Best Beginnings	Montana Earned Income Tax Credit			Elderly Homeowner/Renter Tax Credit
			LIHEAP	Elderly Homeowner/Renter Tax Credit			
			Weatherization	Property Tax Assistance Program			
			Child & Dependent Care Deduction	Disabled Veteran Assistance Program			
			Montana Earned Income Tax Credit	Apprenticeship Credit			
				Trades Education & Training Credit			
				Job Growth Incentive Tax Credit			